

## **Kolm, S.-C.: Reciprocity—An Economics of Social Relations**

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Serge-Christophe Kolm has published on pro-social preferences, altruism and reciprocity since 1975, long before such ideas were taken seriously in economics. Kolm was invited to deliver the Federico Caffè lectures in 2003 and took this occasion to gather his work of more than three decades on reciprocity into an comprehensive book.

The book presents a very thorough classification of forms of reciprocal behavior. The three basic forms are “balance reciprocity” (also called comparative or matching reciprocity), “liking reciprocity”, and “continuation reciprocity”. Consider an agent who receives a gift from another agent. In balance reciprocity the received gift produces an imbalance for the receiver. The receiver then feels an obligation to return a gift of similar value in order to restore the balance. The motive for doing this could be a desire to avoid feelings of shame or guilt. Balance reciprocity relies on concepts such as duty, propriety, and norm following. In liking reciprocity the central motive for returning a gift is the agent’s feelings towards the giver. If an agent cares for another agent then he has a desire to treat her kindly. Two subtypes of liking reciprocity are “gift-induced liking”, where the initial gift is the reason for the liking and eventually the return gift. In the second subtype, “reciprocal liking”, the positive emotions towards other agents are not due to gifts, but due to the fact that agents like people who like themselves. Liking reciprocity refers to a kind of conditional altruism, in which generosity depends on the feelings towards the other agent. The third form, continuation reciprocity, is gift giving due to self interested motives. The agent engages in gift giving simply because the expected return gift makes it worthwhile, which is, according to the author, barely worth the label “reciprocity”.

Kolm also studies the scope of reciprocal relationships. The basic case is when agent A’s being kind to agent B induces B to return the favor. In extended reciprocities

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A's kindness to B can elicit B's kindness to C. This is called "generalized reciprocity" and occurs when agents feel a responsibility to return a favor not to a specific individual but to a group of individuals. For example, when B received help from A in a difficult situation she might be more likely to help other agents in the same situation. On the other hand, if A's kindness to B elicits C's kindness to A then Kolm speaks of "reverse reciprocity". Reverse reciprocity occurs for example in liking reciprocity, when the fact that A treats B favorably induces C to like A and thus induces gift giving.

Unlike other scholars Kolm argues that there is a fundamental difference between positive and negative reciprocity. He argues that negative reciprocity only occurs in the case of continuation reciprocity and balance reciprocity. In continuation reciprocity agents exchange favors for purely selfish reasons and they need the constant threat of not returning the favor to uphold the gift equilibrium. In balance reciprocity agents suffer from the imbalance produced by hostile acts of other agents. The desire to restore balance can then evoke retaliatory acts. For the third type of reciprocity, liking reciprocity, Kolm claims that there is no negative counterpart. According to his view agents have a desire to benefit people they like but they do not wish to harm people they dislike.

Later in the book Kolm puts reciprocity into a broader perspective and discusses the role of reciprocity as one of four modes of economic transfers, the other three being coercion (forced, e.g. by the state), market exchange, and pure gift-giving. He also stresses the role of reciprocity in correcting market failures such as the free-rider problem in public goods situations, and explores the origins of reciprocal preferences from an evolutionary perspective. In the final part of the book, Kolm develops a formal model of reciprocity. He proposes a concept of a reciprocity game with a utility function that incorporates elements of balance and liking reciprocity as well as preferences over processes. In the last chapter Kolm relates his theory to other approaches in sociology, anthropology, social psychology, and economics.

The book presents an interesting and broad collection of motives for reciprocal acts and modes of reciprocity, which is stimulating for researchers active in this field. The value of Kolm's theoretical approach to reciprocity is, however, unclear to me. The theory seems to be able to catch everything, which immediately poses the question of its usefulness for practical applications. Kolm does not offer testable predictions and, unlike other scholars in the field, does not apply his theory to specific games. Furthermore, the book largely ignores the vast development of both theoretical approaches as well as empirical results in behavioral economics over the last two decades (see e.g. [Camerer 2003](#); [Sobel 2005](#)). Part of this literature is cited in the final chapter but Kolm does not really compare his approach to other theories of social preferences nor does he care to draw from stylized facts of the experimental literature on social preferences. Thus, systematic empirical evidence is used neither for inspiring the model nor for testing the predictions. To conclude, the book covers a large number of interesting aspects of reciprocal behaviors. For the most part it is written in a non-technical, comprehensible, albeit quite repetitive, style. The application and predictions of the theory outlined in the book to specific situations remain unclear and so does its relation to the existing body of literature on social preferences.

## References

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